B3300-1.6-F

THE EQUICOR HEALTH CARE SURVEY - VI

LOOKING TO THE FUTURE OF RETIREE HEALTH BENEFITS

Conducted

June-August 1986

EQUICOR
Equitable HCA Corporation
195 Broadway
New York, N.Y. 10007

3401 West End Avenue
Nashville, TN 37203

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INTRODUCTION

Background

Many companies began providing health benefits to retired employees and their dependents during the 1960s. The birth of Medicare in 1966 apparently accelerated this trend, as it left employers paying only a small proportion of retirees' health costs*.

This practice has continued unabated until today. Most companies pay retiree health costs as part of their operating costs, as opposed to establishing a fund for this purpose. Retiree health plans do not fall under the 1974 ERISA statute, which requires the prefunding of pension plans, strict measurement of future pension costs, and their disclosure in financial statements. Thus, companies are not bound to project liability for retiree health costs (a difficult task), and include it in their balance sheets. Until recently, this system caused little alarm among employers, since the annual costs of providing retiree health benefits were relatively modest and appeared to be under control.

But major demographic changes have focused both employers and government policymakers' attention on the potentially vast liability carried by companies which provide retiree health benefits. These changes include the growth in the size of the retiree population, increased life expectancy among Americans, and rapidly increasing total health costs per Medicare beneficiary. These changes, along with the continued high inflation of all health costs, have strained the Medicare system's ability to provide universal health insurance to Americans age 65 and over.

Medicare has responded by increasing the deductibles and premiums paid by retirees. It also has frozen the level of doctor's payments, and now introduced Diagnostic-Related Groups (DRGs), a fundamental change in the way Medicare provides coverage. Other cuts in the level of Medicare coverage may soon come. More costs will then shift to the elderly, and to employers who provide retiree health benefits and other third-party payors. There will be greater health costs per retiree, and many more retirees covered under employers' plans.

*Employee Benefit Research Institute Issue Brief, No. 47, October 1985.

A few companies have cancelled retiree health plans, and then lost breach-of-contract suits brought against them by unions or retirees. Federal courts have upheld employees' right to receive post-retirement health benefits promised to them by an employer. However, other recent court rulings have allowed companies to implement the same cost control measures in retiree health which they have put into health plans covering active employees.

The magnitude of the problem for businesses has not been determined. Estimates of employers' total liability for retiree health benefits have run as high as $100 billion.

A consensus seems to be emerging among employers and lawmakers in Washington that the problem requires immediate attention. Congress has debated the subject this year. The Treasury Department will release a report on the subject in 1987. And the Financial Accounting Standards Board (FASB) is reviewing a proposal that would require employers to include calculations of future liability for retiree health costs in their financial statements.

The Substance of the Survey

The main purpose of the survey is to provide baseline information about the prevalence of employer-provided retiree health plans; how much of a problem their current costs present to employers; and how great a problem these costs may become. This is the first national survey to address the subject of employer-provided retiree health benefits through interviews with corporate employers, retirees, and current employees.

The employers component also documents specific cost management steps which employers have taken to control retiree health costs, and their effectiveness; and what further steps employers may take to manage future retiree health costs. In addition, employers reacted to a number of proposed policy changes which the government might take to help employers manage future retiree health costs.

The retiree and employee components provide an array of demographic and attitudinal information regarding retiree health benefits, nursing home care, retirement planning, and health status, including:

- The number of retirees who claim to have employer-provided health benefits, and the number of employees who believe they will receive retiree health benefits from their current employer;

- The importance of retiree health benefits, and other retirement benefits, to retirees and current employees;

- The specific types of health costs which retirees and employees believe are covered under employer-provided retiree health plans;

- The acceptability, prevalence, and effect on retirees of health care cost control changes made by former employers;

- The potential for enrolling retirees in HMOs and PPOs;

- Retirees and current employees' perceptions about their future health insurance needs, and the types of future health costs which concern them most;

- Retirees' and employees' thoughts about nursing home care, and how they would pay for it; and the extent to which they plan, or planned, for retirement;

- And a final section provides measures of retirees' health status, financial status, and satisfaction with their standard of living.

The EQUICOR Health Care Survey VI is the sixth survey conducted by Louis Harris and Associates for EQUICOR (formerly The Equitable Group & Health Insurance Company). Project Directors for this Survey were: Humphrey Taylor, President and Stuart Leichenko, Research Associate. The other five surveys were:

- **The Equitable Health Care Survey: Options for Controlling Costs,** which provided a detailed assessment of the attitudes of the American public, employers, unions, hospital administrators, health insurance executives, and the elected leaders of physicians' organizations to a wide range of health care cost containment policies. It was conducted in 1983.

- **The Equitable Health Care Survey II: Physicians' Attitudes Toward Cost Containment,** conducted in 1984, surveyed the views of a national cross-section of physicians on these same issues.

- **The Equitable Health Care Survey III: Corporate Initiative and Employee Attitudes on Cost Containment,** published in June 1985, was the first detailed study of how corporations had fared in their health cost containment efforts; how employees had reacted to changes in their health care benefits; how acceptable they found these changes; and how their use of health care services had been affected by these changes.

- **The Equitable Health Care Survey IV,** published in November 1985, measured the incidence of flexible benefit plans, the experiences of employers and employees, and the prospect for the further use of flexible benefit plan options.

- **The EQUICOR Health Care Survey V,** published in October 1986, provides the first detailed portrait of heavy users of health care services, that minority of Americans who account for the bulk of the nation's health care costs. The survey shows who they are, how they use health services and their attitudes about it, their reactions to a range of specific cost management policies, and who among them is failing to get needed health care services.

The Samples

This new survey is based on interviews with three separate national samples: 500 corporate benefits officers in companies with at least 500 employees; 1,000 current full-time employees in companies with at least 500 employees nationwide; and 501 retirees who worked at least 5 years for a company or non-government organization which had at least 100 employees nationwide. The retirees sample is limited to those who could be interviewed in their own homes. Retirees who are unable to conduct a telephone interview because of illness or disability, and those permanently institutionalized, were excluded from this survey.

The interviewing was conducted during June and July, 1986.

Note on the Tables

Percentages in the tables may not add up to 100% because of rounding or the acceptance of multiple responses.

Acknowledgements

Louis Harris and Associates is indebted to EQUICOR for making this research possible. The help of James Glynn and Karen Krett is gratefully acknowledged. They made important contributions to the design of the study, and the development of the questionnaire.

Final responsibility for the design and implementation of the survey, and for the findings and conclusions contained in this report, rests with Louis Harris and Associates.

SURVEY HIGHLIGHTS

This summary provides an overview of the results of the survey. Many findings described in the body of the report are not summarized here. Interested readers are urged to examine the full report for a more complete understanding of the survey results.

The Present and Future Costs of Retiree Health Benefits

1. **Corporate costs for retiree health benefits are presently under control, but the findings suggest that a cost crisis looms for some companies which are committed to provide many future retirees with health benefits.**

   The preponderance of corporate benefits officers feel that retiree health costs are somewhat or completely under control. Total costs for retiree health benefits currently average about 16% of corporate health costs in companies which provide retiree health benefits. Only 23% of corporate benefits officers say that retiree health costs are growing at a faster rate than health costs for active employees. And the median annual composite health cost for retirees is $1,113, compared to $1,678 for active employees (although about half of corporate benefits officers could not name these figures for either group).

   But 47% of corporate benefits officers expect the cost of providing retiree health benefits to become a major problem for their company within 10 years, and 37% predict that these costs will become a minor problem. This is in part because the number of retirees covered by company health plans is expected to double by 1996. Today, in companies providing retiree health benefits, an average of 25 retirees are covered for every 100 active employees covered under the company health plan. In 10 years, this figure will leap to 55 retirees for every 100 active employees.

   Several other factors could also cause retiree health costs to spike upward in the near future, including: increased life expectancy among Americans; continued health care cost inflation, and parallel growth in total health costs per elderly person; and the further shifting of health costs to third-party payors as a result or DRGs and other possible cuts in the level of Medicare coverage.

2. **Ignorance, and an unwillingness to address the problem, characterize most companies' efforts to manage the future cost of retiree health benefits. A head-in-the-sand approach toward managing future liability for these costs appears to be the norm among corporations.**

   Sixty-nine percent of companies providing retiree health benefits have not conducted financial projections beyond 1986 to measure future health costs for retirees and their dependents.

   Only 7% of these companies have taken steps in the last three years to limit the number of future retirees who will receive health benefits. Of the remainder, just a few (6%) plan to do this in the next three years. A scant 2% of these companies have stopped contributing to the cost of health benefits for some retirees since 1983, and virtually none of the remaining 98% plan to do this in the next three years.

   This situation in no way reflects employers' attitudes toward cancelling retiree health benefits, or installing cost management controls in them. Forty percent of all corporate benefits officers (including those whose companies do not have retiree health plans) believe that companies have the right to cancel a retiree health plan. And an overwhelming 91% believe that employers have the right to install the same cost control measures in retiree health plans that they have installed in active employee health plans.

Steps Companies Have Taken, or Could Take, to Control Retiree Health Costs

1. **In fact, many employers already have introduced cost control measures in retiree health plans. They report mixed results on their effectiveness in controlling costs.**

   Since 1983 substantial minorities of employers have introduced such cost control measures in retirees' health plans as utilization reviews,

increased contributions to premiums, increased deductibles, and required second opinions. But only 25% of companies which have changed retiree health plans in the past three years consider these cost control measures very effective in controlling retiree health costs, while 61% consider them somewhat effective.

Significantly, a 63% majority of companies providing retiree health benefits would like to begin taking steps, or take more extensive steps, to control their future retiree health costs. The main reasons cited for not doing this are employee or union opposition and, to a lesser extent, fear of lawsuits. However, the findings reported above suggest that ignorance about the potential size of future commitments may also explain employers' inertia.

2. **Other findings in the survey substantiate employers' fear of employee, retiree, or union backlash. Retirees will fiercely resist forced changes in the way they are accustomed to using health services, and will be less willing than younger people to join HMOs and other managed care systems.**

   Large numbers of retirees—ranging from pluralities to strong majorities—balk at various changes in health plans which increase their out-of-pocket costs. For example, 79% regard increased co-payments as unacceptable. Retirees demonstrate much less willingness than current employees to accept increased cost-sharing and other cost-control changes in their health plans. The only change in health plans which garners strong support from retirees is the institution of a wellness program, which 69% favor.

3. **Not surprisingly, retiree health benefits are considered very important by overwhelming majorities of retirees who have them, and current employees who expect to receive them.** They rank second in importance only to pension benefits.

4. **The findings reveal a clear potential for enrolling many more retirees in HMOs and PPOs than the small numbers who currently belong. But retirees show less interest in all forms of HMOs, including those linked to patients' hospital or doctor of choice, than do younger people.**

   Younger retirees show the most interest in joining HMOs, which suggests that the best strategy would be to enroll people while they are employees, or as soon as they retire.

Federal Policymaker's Role in Helping Companies Manage Retiree Health Costs

1. **A federal policy allowing employers to create medical IRAs—tax-deductible or tax-exempt matching fund accounts for employees—proved most popular with corporate benefits officers among seven possible policy changes which were tested.**

   More than eight in 10 corporate benefits officers say that tax-deductible or tax-exempt medical IRAs would be very or somewhat helpful to them in managing retiree health costs.

   Other potential policy changes which won majority support were: giving Medicare patients a financial incentive to join HMOs; allowing full tax-deductible status for voluntary employee benefit associations, known as VEBAs or 501(c)(9) trusts; and allowing employers to convert their retiree health plans into separate health care pension plans (in effect, changing their plans from an open-ended commitment to coverage to a system of fixed payments for health care costs).

   It appears that employers lend the most support to government policy changes which would require the smallest financial commitment from companies, or allow them to greatly reduce their future liability for retiree health costs. The least popular changes would require increased cash commitments from employers, through pre-funding requirements, or expose them to the greatest scrutiny of their liability for these costs. Only 9% said that requiring employers to disclose unfunded liability for retiree health benefits would be a very helpful government policy change.

Retirees' Health and Financial Status

1. **The portrait of retirees drawn from these findings is of a largely healthy group that is satisfied with its standard of living, and satisfied with the health services it uses. Most retirees appear comfortable with the**

status quo, which has not changed much for the vast majority since retirement.

Two-thirds of retirees describe their health as excellent (23%) or good (43%), another quarter (24%) say that their health is fair, and 11% believe that their health is poor.

Three-fourths of retirees express satisfaction with the health services that they use, and 49% are very satisfied. Only 14% report dissatisfying experiences, overall, with health services. However, dissatisfaction is much higher among disabled retirees, and the minority who are in fair or poor health.

Perhaps most important, fully 92% of retirees claim to be very satisfied (61%) or somewhat satisfied (31%) with their current standard of living. Of equal import, almost as many report that their standard of living has not changed since retirement (66%), or actually has increased (15%).

These overall findings vary little by income, and across other key demographic groups. However, there are important relative differences in levels of satisfaction. Fewer young retirees, poor retirees, and retirees in fair or poor health are very satisfied with their standard of living. For example, 43% of those with incomes of $15,000 or less are very satisfied with their standard of living, compared to 84% of retirees with incomes of at least $35,000.

Retirees' and Employees' Views About Nursing Home Care

1. **Few retirees or current employees devote much thought to the possibility that, someday, they or their spouses may need full-time care in a nursing home or other retirement facility. Both groups consist mainly of healthy people, who appear unconcerned that illness or old age may one day rob them of independence.**

   The possibility of needing to enter a nursing home has crossed the mind of a majority of retirees (55%), but only 21% claim to have given this subject a lot of thought.

   As for worrying about paying for nursing home care, it just doesn't play a role in the everyday lives of retirees or employees. A mere 15% of retirees and 3% of employees worry a great deal about how they would pay for nursing home care.

2. **It should thus come as no surprise that both groups are misinformed about how they would pay for nursing home care.**

   About one-third of retirees (31%) and employees (36%) believe, correctly, that they probably would pay for nursing home care themselves. Another 10% of retirees and 24% of employees mistakenly believe that employer-provided insurance would cover these costs. Almost no private health plans cover nursing home costs. Nor does Medicare, but 15% of retirees and 13% of employees believe that it would. Only 3% of either group mentioned Medicaid as a source of support for nursing home costs, but it was not determined if these people realize that Medicaid only provides this coverage to those who have almost no assets. The great majority of retirees and employees will clearly be ill-prepared to face these costs, should they ever need to live in a nursing home or other full-time care facility.

3. **Potential demand for long-term care insurance is substantial. Employees show a fairly high level of interest in trading some current benefits provided by their employer in exchange for insurance coverage for future nursing home costs.**

   Five percent would be very interested in making this type of trade, and 32% would be somewhat interested. It seems reasonable to assume that demand for long-term care insurance would increase if many more employees realized that they do not have long-term coverage (even though most do not worry about this subject).

CHAPTER 1: RETIREE HEALTH COVERAGE: WHAT EMPLOYERS PROVIDE, AND WHAT THEY PLAN TO PROVIDE

What Employers Provide Now

Forty-five percent of companies with 500 or more employees nationwide currently contribute to the cost of health benefits for employees who retire before age 65. Somewhat fewer companies of this size pay for some health care costs for retirees after age 65 (38%).

Companies which employ 3,000 or more employees are more likely than are smaller companies to pay for health care costs for both early retirees and those retiring after age 65 (Table 1). Service companies are much less likely than companies in other industries to pay for retirees' health care costs.

The vast majority (93%) of companies providing retiree health benefits also continue health coverage for retirees' spouses and dependents; and 79% also continue this coverage for spouses and dependents after the retiree dies (Table 2).

A majority of these companies pay between 75% and 100% of the premiums for both retirees and their dependents (Table 3).

During the past three years, a minority of companies providing health benefits to retirees have either increased the level of health benefits to retirees, or made more retirees eligible to receive health benefits from the company (Table 4).

Table 1

PERCENT OF COMPANIES WITH 500 OR MORE EMPLOYEES THAT PROVIDE HEALTH COVERAGE TO RETIREES BEFORE AND AFTER AGE 65

Q.1 (Corporate Benefits Officers): Does your company currently contribute to the cost of any health benefits for early retirees, who retire before age 65, or not?

Q.2a (CBO's): Does your company currently contribute to the cost of any health benefits for retirees after age 65, or not?

Q.2d (CBO's): How likely is it that in the next 3 years your company will begin offering health benefits for retirees after age 65—very likely, somewhat likely, not too likely, or not likely at all?

	Base		Percent of Companies Contributing... Before Age 65	After Age 65
Total	500	%	45	38
Number of Employees				
500-1,000	214	%	26	20
1,001-3,000	114	%	52	43
3,001-5,000	44	%	52	50
5,001 or more	51	%	61	49
Type of Company				
Manufacturing	209	%	53	46
Wholesale or Retail	124	%	41	34
Financial	53	%	57	51
Services	109	%	28	20
Other	57	%	51	40

Table 2

PERCENTAGE OF COMPANIES PROVIDING HEALTH BENEFITS TO RETIREES THAT ALSO COVER SPOUSES AND DEPENDENTS, AND LENGTH OF COVERAGE

Q.5 (CBO's): Do spouses and dependents of retirees over age 65 receive the same medical coverage as retirees, reduced coverage, or no medical coverage at all?

Q.6 (CBO's): Does medical coverage for spouses and dependents of retirees continue after the retiree dies, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Spouses and Dependents Receive...	
Same coverage	93
Reduced coverage	1
No coverage at all	5
Not sure	2
After Retiree Dies, Spouses' and Dependents' Coverage*...	
Yes, coverage continues	79
No, coverage stops	18
Not sure	3

*Base: Only those companies providing health benefits to spouses and dependents of retirees (n = 177).

Table 3

PERCENTAGE OF PREMIUMS FOR RETIREES, AND SPOUSES, PAID FOR BY COMPANY

Base: Companies with 500 or more employees providing health benefits to retirees aged 65 and over

Q.7 (CBO's): What percentage of the premium for the retiree does the company pay for?

Q.8 (CBO's): What percentage of the premiums for spouses and dependents of retirees does your company pay for?

Base: 190	Q.7 Retirees	Q.8 Spouses and Dependents
	%	%
None of the premium	2	7
1-25% of the premium	1	2
26-50% of the premium	9	12
51-75% of the premium	6	7
76-99% of the premium	12	12
100% of the premium	55	46
Depends (vol.)	8	8
Not sure	5	5
Refused	1	1

Table 4

PERCENTAGE OF COMPANIES PROVIDING RETIREE HEALTH BENEFITS THAT HAVE INCREASED THEM, OR MADE MORE RETIREES ELIGIBLE FOR THEM, IN PAST 3 YEARS

Base: Companies with 500 or more employees providing health benefits to retirees aged 65 and over

Q.3c (CBO's): In the past 3 years, has your company increased the level of health benefits for any of its retirees after age 65, or not?

Q.3d (CBO's): In the past 3 years, has your company relaxed eligibility criteria to make more retirees eligible after age 65 for company-paid health benefits, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
In past 3 years, have increased the level of health benefits	22
In past 3 years, have made more retirees eligible	6

Different Types of Retiree Health Plans

Employers provide several major types of health plans to their retirees. The most common is the "Medicare carve-out" plan, in which retirees receive the same medical coverage as active employees, after Medicare payments are subtracted out. Seventy-two percent of companies use this type of plan. Other common retiree health plans are: a "Medicare supplement," which coordinates the employer's benefit plan and Medicare benefits to provide up to 100% coverage for retirees (46%); and an "exclusion plan," which subtracts Medicare payments before applying deductible and copayment provisions. As Table 5 shows, 53% of companies which provide retiree health benefits offer more than one type of health plan.

Table 5

DIFFERENT TYPES OF RETIREE HEALTH PLANS PROVIDED BY EMPLOYERS

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.4 (CBO's): I'm going to name several types of health care coverage for retirees which different employers use. Please say if your company uses each type, or not. Do you have (READ EACH ITEM)?

Base: 190		Have	Do Not Have	Not Sure
A "Medicare carve-out" plan in which retirees receive the same medical coverage as active employees, after Medicare payments are subtracted out	%	72	27	1
A "Medicare supplement" plan which coordinates the employer's benefit plan and Medicare benefits to give retirees up to 100% coverage	%	46	52	2
An "exclusion plan" which subtracts Medicare payments before applying deductible and copayment provisions	%	26	69	4
A "fixed allowance plan," which pays only for specific benefits not covered by Medicare	%	8	88	4
Any other types of health coverage for your retirees	%	15	83	2
Percentage of companies providing more than one type of retiree health plan		53%		

What Companies Plan to Do in the Next Three Years

Only a small minority of companies are likely to begin providing such benefits in the next three years. Only 6% of corporate benefits officers say their companies are very likely to do so, and 12% are somewhat likely (Table 6).

Excessive cost is the most common reason given by corporate benefits officers whose companies are not likely to begin offering retiree health benefits (37%). Companies' established policy, few retirees or older employees, and Medicare coverage are other reasons given for not offering retiree health benefits (Table 7).

Table 6

PERCENT OF COMPANIES WITH 500 OR MORE EMPLOYEES THAT MAY BEGIN OFFERING RETIREE HEALTH BENEFITS IN NEXT 3 YEARS

Q.2d (CBO's): How likely is it that in the next 3 years your company will begin offering health benefits for retirees after age 65—very likely, somewhat likely, not too likely, or not likely at all?

	Total
Base	500
	%
Very likely	6
Somewhat likely	12
Not too/not at all likely	38
Not sure	5

Table 7

REASONS WHY SOME COMPANIES ARE NOT LIKELY TO OFFER BENEFITS TO RETIREES

Base: Those not too, or not at all likely to begin offering retiree benefits in next 3 years

	Not Too/Not at all Likely to Begin Offering Retiree Health Benefits
Base	188
	%
Costs/too expensive	37
Not company policy/never offered it	18
Few retirees/few in age group	16
Retirees have Medicare	9
Employer benefits continued but retirees pay costs	7
Legal difficulties	6
Employee turnover/large turnover	5
Other	15
Not sure	10

CHAPTER 2:
EMPLOYEES AND RETIREES DESCRIBE THEIR HEALTH PLANS

Types of Health and Other Benefits that Retirees Have

Nearly all retirees interviewed in this survey have health care coverage through either private insurance, Medicare, or Medicaid (Table 8).* Medicare is the most common plan (74%), but a 52% majority of retirees say they have health coverage from a former employer or union, or a spouse's employer or union. Forty-four percent have bought health insurance themselves, or have it through a group or association other than an employer or union. A 15% minority have Medicaid or other Public Aid; only 3% say that they have no health insurance.

Observation:
This finding should come as reassuring news to policymakers. Only a small fraction of the retired persons in this survey claim to have no health insurance. However, this group excludes many of the most underprivileged elderly, such as the chronically poor who have never worked, or worked only sporadically during their lives.

Sixty percent of retirees in this group receive pension benefits from their former employer; 40% have life insurance, and 10% say that they receive some other kind of benefits from their former employer (Table 9).

Eighty-five percent of retirees who have health coverage from a former employer say that they worked 15 or more years for that company (Table 10).

*Note: Eligible retirees were defined as those who had worked at least five years for a company or non-governmental organization which had at least 100 employees in the United States.

Table 8

TYPES OF HEALTH INSURANCE THAT RETIREES HAVE

Q.3a (Retirees) Now I'd like to talk about the different kinds of health plans or health insurance that you may have, including those provided by the government. As I read each of the following health plans, please tell me whether you are covered by it. Are you covered by (READ ITEM)?

Base: 501		Yes, Covered	No, Not Covered	Not Sure
Medicare Part A or Part B	%	74	26	*
Health insurance paid for by retirees' or spouses' former employer or union	%	52	48	
Health insurance through some group or association or bought directly by retirees or their families	%	44	55	*
Medicaid or other Public Aid	%	15	85	*
No health insurance	%	3	97	

*Less than 0.5%

Table 9

PERCENT OF RETIREES WHO RECEIVE PENSION BENEFITS, LIFE INSURANCE, AND OTHER BENEFITS

Q.8a (Retirees): Do you currently receive (READ EACH ITEM) from your former employer, or not?

Base: 501		Yes, Receive	No, Do Not Receive	Not Sure	Refused
Pension benefits	%	60	39	*	1
Life insurance	%	40	59	1	*
Any other kind of benefits besides health care coverage	%	10	89	1	—

*Less than 0.5%

Table 10

YEARS IN COMPANY SERVED BY RETIREES WHO GET HEALTH INSURANCE FROM THEIR FORMER EMPLOYER

Q.7c. (Retirees): For about how many years did you work for the company that provides health care benefits to you?

	Retirees Who Have Health Care Benefits From Their Former Employer, or a Spouse's Employer
Base	259
	%
Number of Years Served	
1-6 years	2
7-10 years	5
11-14 years	5
15 or more years	85
Not sure	3

Employees' Perceptions About Receiving Retiree Health Coverage

Sixty percent of people currently working in companies with 500 or more employees believe that some retirees from their company continue to receive health coverage. Among this sixty percent, nearly three-fourths believe that everyone who retires from their company receives health benefits (Table 11).

But a much larger 88% of this same group—the 60% who say their company provides retiree health benefits—believe that they will continue to receive health coverage from their company if they work there until retirement. The strength of this belief varies little among employees of different ages, and income levels (Table 12).

Table 11

EMPLOYEES' PERCEPTIONS ABOUT WHETHER ALL, SOME, OR NO RETIREES WILL RECEIVE HEALTH BENEFITS FROM THEIR COMPANY

Q.7a (Employees): Do any people who retire from your company continue to get some health benefits or health insurance through your employer's health plan, or not?

Q.7b (Employees): Is everyone who retires eligible for health benefits, or does it vary from person to person?

	All Retirees
Base	1,005
	%
Q.7a	
Yes, all or some retirees get health benefits	60
No employees get benefits	12
Not sure	29

	Retirees Who Say Company Provides Retiree Health Benefits
	601
	%
Q.7b	
Everyone gets retiree health benefits	73
It varies	17
Not sure	10

Table 12

HOW MANY EMPLOYEES THINK THEY WILL RECEIVE RETIREE HEALTH BENEFITS FROM THEIR EMPLOYER

Base: Employees who say their companies provide retirees with health benefits

Q.7e. (Employees): If you continue to work for this company or organization until you retire, will your health insurance benefits continue after you retire or not?

Employees Who Say Their Company Provides Health Care Benefits to Retirees By...

		Age				Income				
	Total	18-29 Years	30-39 Years	40-49 Years	50 and Over	$15,000 or Less	$15,000 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 and Over
Base	601	137	189	157	112	36	107	142	156	125
	%	%	%	%	%	%	%	%	%	%
Health benefits will continue	88	88	91	87	85	89	86	85	88	94
Will not continue	8	4	5	9	15	6	8	11	7	6
Not sure	4	8	4	4	—	6	6	4	4	1

What Retiree Health Plans Cover

Current employees' perceptions about what health costs their retiree health plans will cover are largely consistent with the actual coverage reported by retirees. Virtually identical proportions of both groups say that their retiree health plans either cover, or will cover, hospital care, doctors fees, prescription drugs, and other health costs. Small minorities of both groups believe that their employer-provided health plans cover, or will cover, the cost of nursing home care or home care (Table 13).

Table 13

WHAT RETIREE HEALTH PLANS COVER: A COMPARISON OF RETIREES' COVERAGE WITH FUTURE RETIREES' PERCEPTIONS

Q.7f (Employees): After you retire, would your health insurance benefits from your employer pay for part of the cost of (READ EACH ITEM), or not?

Q.7a (Retirees): Do your health insurance benefits from your former employer pay for all or part of the cost of (READ EACH ITEM), or not?

	Retiree Coverage...	
	Q.7a Pays for All or Part of the Cost for Current Retirees*	Q.7f Would Pay for the Cost for Future Retirees**
Base	259	528
	%	%
Hospitalization	86	91
Doctors' fees	79	83
A catastrophic or major illness	72	82
Nursing Home care or a senior citizens' hotel	22	25
Home care--that is, medical or nursing services at your home	35	39
Prescription drugs	74	75

*Base: Retirees who receive health benefits from their former employer, or a spouse's employer

**Base: Employees who say they will receive health benefits from their employer when they retire

The Importance of Employer-Provided Benefits to Current and Future Retirees

Retiree health benefits are very important to overwhelming majorities of both retirees who have employer-provided health benefits and employees who expect to receive them (Table 14). These benefits rank second in overall importance only to pension benefits. Fifty-six percent of retirees and 60% of all employees rank pension benefits first in importance among benefits which they receive, or expect to receive, in retirement (Table 15).

Observation:

Employers contemplating changes in retiree health plans should understand the importance which retirees attach to this benefit. As subsequent chapters will show, employers who curtail present or future retiree health benefits risk strong opposition from employees or unions, and perhaps legal action. Managing the future cost of retiree health benefits will be a daunting task.

Table 14

IMPORTANCE OF EMPLOYER-PROVIDED RETIREE HEALTH INSURANCE TO BOTH CURRENT RETIREES AND FUTURE RETIREES

Q.7b (Retirees): How important to you is the health care coverage that you receive from your former employer—very important, somewhat important, not too important, or not important at all?

Q.7g (Employees): How important to you is the health care coverage that you will receive from your employer after you retire—very important, somewhat important, not too important, or not important at all?

	Q.7b Retirees Who Receive Health Benefits From Their Former Employer, or a Spouse's Employer	Q.7g Employees Who Say They Will Receive Health Coverage From Employer When They Retire
Base	259	528
	%	%
Very important	85	79
Somewhat important	8	13
Not too important	1	5
Not important at all	3	2
Not sure	2	*

*Less than 0.5%

Table 15

MOST IMPORTANT RETIREMENT BENEFIT TO BOTH CURRENT RETIREES AND FUTURE RETIREES

Q.8b (Retirees): Which benefit that you receive from your former employer is most important to you—pension benefits, health care benefits, life insurance, or something else? (PROBE: IF RESPONDENT SAYS TWO OR MORE ARE EQUALLY IMPORTANT, PROBE FOR MOST IMPORTANT BENEFIT.)

Q.7h (Employees): As you know, employers provide many different kinds of benefits to their retired employees. Which benefit do you consider most important for you to receive from your employer when you retire—pension benefits, or health insurance, or life insurance, or something else? **PROBE: IF RESPONDENT SAYS TWO OR MORE ARE EQUALLY IMPORTANT, PROBE FOR MOST IMPORTANT BENEFIT.**

	Q.8b Retirees Who Receive Some Benefits From a Former Employer	Q.7h All Employees
Base	354	1,005
	%	%
Pension benefits	56	60
Health care benefits	28	29
Life insurance	3	5
Other	2	*
Pension and health equally important	6	4
Not sure/refused	5	2

*Less than 0.5%

CHAPTER 3: CORPORATE BENEFITS OFFICERS DISCUSS THE PRESENT AND FUTURE COSTS OF RETIREE HEALTH BENEFITS

The Present Costs of Retiree Health Benefits

Corporate benefits officers report that the median annual composite health cost per active employee is $1,678, compared to $1,113 per retiree (Table 16).

Total costs for retiree health benefits currently average about 16% of corporate health costs for companies which provide retiree health benefits. Only 10% of corporate benefits officers say that retiree health costs exceed 20% of corporate health costs (Table 17).

Forty-six percent of corporate benefits officers say that retiree health costs are growing at about the same rate as health costs for active employees. Only 23% say retiree costs are increasing at a faster rate than costs for active employees, and 17% say they are increasing at a slower rate (Table 18).

As a result, no more than 23% of corporate benefits officers feel that the inflation of their health costs is out of control for either retirees or active employees. The preponderance of corporate benefits officers feel that their companies' current health costs are somewhat or completely under control (Table 19).

Observations:

1. *More striking, and suggestive of widespread ignorance about actual corporate health costs, is the fact that about half of corporate benefits officers say that they did not know the annual composite health cost for active employees or retirees, or the proportion of corporate health costs spent on retirees. But constraints imposed by telephone interviews may have contributed to this. Many of those who did not know may have been able to obtain these figures if they were given notice.*

2. *Total corporate costs for retiree health benefits are currently under control because of Medicare and the small average number of retirees covered per company (see Table 21). But several factors appear likely to drive future corporate costs for retiree health benefits through the ceiling. These include possible long-term effects of Diagnostics-Related Groups (DRGs), future cuts in levels of Medicare coverage, increased life expectancy among Americans, rapidly increasing total health costs per elderly person, and the growing number of retirees. Together, they may produce a huge liability for companies which promised health care coverage to large numbers of retirees and their dependents.*

As the next findings will show, corporate benefits officers recognize that the costs of retiree health benefits may pose major problems for their companies a decade from now. Unfortunately, few know much about the potential size of these costs, or how difficult the management of these costs may be.

Table 16

ANNUAL COMPOSITE HEALTH COST PER ACTIVE EMPLOYEE AND RETIREE IN 1985

Q.11a (CBO's): In 1985, what was your annual composite health cost per active employee?

Q.11b (CBO's): And in 1985, what was your annual composite health cost per retiree?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
1985 Cost per Active Employee	
$1-$1,000	9
$1,001-$1,500	14
$1,501-$2,000	18
$2,001-$3,000	13
$3,001 or more	3
Not sure	43
Median cost for active employees	$1,678
Mean cost for active employees	$1,758
1985 Cost per Retiree	
$1-$999	18
$1,000-$1,500	14
$1,501-$2,000	6
$2,001 or more	6
Not sure	56
Median cost for retirees	$1,113
Mean cost for retirees	$1,234

Table 17

PERCENTAGE OF CORPORATE HEALTH COSTS SPENT ON RETIREES

Q.12 (CBO's): Approximately what percentage of all your corporate health costs are spent on retiree health benefits?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
1-10%	29
11-20%	13
21-30%	6
31-40%	3
41-50%	1
51-100%	2
Not sure	45
Median percentage spent on retirees' health costs	10%
Mean percentage spent on retirees' health costs	16%

Table 18

HOW FAST RETIREE HEALTH COSTS ARE GROWING COMPARED TO ACTIVE EMPLOYEE HEALTH COSTS

Q.11c (CBO's): How fast are your retiree health costs increasing as compared with your active employee health costs—are they increasing much faster, somewhat faster, at about the same rate, somewhat slower, or much slower?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Much faster	8
Somewhat faster	15
About the same rate	46
Somewhat slower	12
Much slower	5
Not increasing at all	1
Not sure	12

Table 19

WHETHER HEALTH COSTS FOR ACTIVE EMPLOYEES AND RETIREES ARE UNDER OR OUT OF CONTROL

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.9a (CBO's): Many companies are trying to control their health care costs. In general, would you say that the inflation of your corporate health care costs for active employees is completely under control, somewhat under control, somewhat out of control, or totally out of control?

Q.9b (CBO's): In general, would you say that the inflation of your corporate health care costs for retirees is completely under control, somewhat under control, somewhat out of control, or totally out of control?

Base: 190	Health Costs for Active Employees	Health Costs for Retirees
	%	%
Completely under control	8	11
Somewhat under control	72	65
Somewhat out of control	16	18
Completely out of control	2	5
Not sure	2	2

The Future Costs of Retiree Health Benefits

A 47% plurality of corporate benefits officers think that in 10 years retiree health costs will be a major problem for their company, and 37% feel these costs will be a minor problem. Only 12% feel that retiree health costs will not become a problem. Together, about three-fourths of corporate benefits officers predict that retiree health benefits will cause problems for their companies within 10 years. And the larger the company, the more likely that its retiree health costs will become a major problem (Table 20).

This escalation of costs will be fueled by a huge rise in the number of retirees covered under their company health plans. Corporate benefits officers expect the number of retirees covered to double during the next 10 years. Today, an average of 25 retirees are covered by company health plans for every 100 active employees. In 10 years, corporate benefits officers estimate that number will rise to 55 retirees for every 100 active employees. However, 46% could not estimate the number of retirees who will be covered in 10 years (Table 21).

There is a strong correlation between the number of retirees covered by employer health plans and the magnitude of cost problems that employers foresee. Employers who believe that retiree health benefits will become a major problem currently cover an average of 38 employees for every 100 active employees. The current average drops to 15 retirees covered among employers who predict minor problems with retiree health plans. Among those who foresee no problems caused by retiree health plans, only eight retirees are covered (Table 21).

This correlation holds true for employers' predictions of the number of retirees who will be covered in 10 years. Among those who expect major problems because of retiree health plans, the average will rocket to 77 retirees for every 100 active employees. Growth will be equally dramatic for employers who expect to have minor problems: the average number of retirees covered will nearly triple, from 15 to 43. The minority of employers who expect no problems see the average rising, in 10 years, to 13 retirees for every 100 active employees.

Observation:

As mentioned, large increases in the number of retirees covered may be one of several factors contributing to a rapid escalation in the costs of retiree health benefits. Employers who provide retiree health coverage should recognize this as a warning signal for future problems, if analyses predict a large rise in the number of their retirees.

Unfortunately, only 31% of companies which provide retirees health benefits claim to have conducted financial projections beyond 1986 for expected health costs for retirees and their dependents (Table 22).

Observation:

A crisis looms for businesses which provide retiree health benefits. Many employers recognize that the cost of retiree health benefits may pose a serious problem for their company in the near future. But they are woefully ignorant about the potential size of these costs. A two-thirds majority have not even begun to calculate their potential liability. Federal laws currently do not require companies to pre-fund the costs of retiree health benefits in the same way that ERISA requires pre-funding for pensions benefits. (A separate Harris market research survey conducted for Equicor found that only 27% of employers pre-fund retiree health plans, while 62% use a pay-as-you-go system.) This regulatory freedom has allowed many companies to bury their heads in the sand instead of projecting their potential liability and taking steps to manage it.

The statutory void also has prompted some companies to cancel retiree health plans, only to be sued by employees or unions. Federal courts have upheld employees' rights to receive post-retirement health benefits which employers have promised to them. Court rulings define retiree health benefits as future compensation which employees earn while working for their company. Thus, employers who promise retiree health benefits assume an obligation to provide them.

However, another recent court ruling allows companies to implement the same cost control measures in retiree health plans as they have in active employee plans. As Chapter 4 will show, many companies have begun to do this. But employers should understand that these benefits are very important to retirees and future retirees (see Tables 14 and 15), and that changes that increase the out-of-pocket costs to retirees will meet fierce resistance (see Chapter 5).

Table 20

WHETHER RETIREE HEALTH COSTS WILL BE A MAJOR PROBLEM, A MINOR PROBLEM, OR NOT A PROBLEM IN 10 YEARS

Q.9c (CBO's): If you make no changes in your retiree health plans, do you think that in 10 years time your retiree health costs will be a major problem, a minor problem, or not a problem at all for your company?

	Companies with 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over		
		Number of Employees*	
	Total	3,000 or Less	3,001 or More
Base	190	91	47
	%	%	%
In 10 Years, Retiree Health Costs Will Be a			
Major problem	47	38	53
Minor problem	37	45	30
Not a problem	12	13	13
Not sure	4	3	4

*Note: Results figured on small bases should be interpreted with caution, since the margin of error is much greater.

Table 21

NUMBER OF RETIREES RECEIVING HEALTH COVERAGE FOR EVERY 100 ACTIVE EMPLOYEES: TODAY AND IN 10 YEARS

Q.10a (CBO's): For every 100 active employees covered by your company's health plan, how many retirees are covered?

Q.10b (CBO's): In 10 years time, for every 100 active employees covered by your company's health plan, how many retirees do you estimate will be covered?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over	In 10 Years Retiree Health Cost Will Be:		
		A Major Problem	A Minor Problem	No Problem*
Base	190	89	70	23
	%	%	%	%
Number of Retirees Currently Covered for Every 100 Active Employees				
1-4 retirees	28	20	27	57
5-10 retirees	21	18	24	13
11-20 retirees	14	16	17	1
21-29 retirees	5	7	4	-
30-50 retirees	12	16	9	9
51 or more retirees	6	10	3	-
Not sure	15	13	16	17
Median number of retirees currently covered	10	14	9	2
Mean number of retirees currently covered	25	38	15	8
In 10 Years Number of Retirees Covered for Every 100 Active Employees				
1-10 retirees	26	18	30	48
11-20 retirees	12	9	19	4
21-30 retirees	-	-	-	-
31-50 retirees	7	11	6	-
51 or more retirees	9	12	7	4
Not sure	46	50	38	44
Median number of retirees covered in 10 years	19	23	14	4
Mean number of retirees covered in 10 years	55	77	43	13

*Caution: Small bases are much less reliable. Results should be interpreted with caution

Table 22

PROPORTION OF COMPANIES PROVIDING RETIREE HEALTH BENEFITS WHICH HAVE CONDUCTED FINANCIAL PROJECTIONS FOR FUTURE RETIREE HEALTH COSTS

Q.13 (CBO's): Has your company conducted financial projections beyond 1986 for your expected corporate health costs for retirees and their dependents, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Have conducted financial projections	31
Have not	64
Not sure	5

CHAPTER 4:
WHAT EMPLOYERS ARE DOING, AND WOULD LIKE TO DO, TO MANAGE RETIREE HEALTH COSTS

The Extent and Effectiveness of Changes in Health Plans

In the past three years, 41% of employers have made changes in retiree health plans in order to contain the inflation of these costs. Fourteen percent have changed retiree plans a great deal, and 27% have changed them somewhat. But cost containment changes are much less common in retiree plans than in health plans for active employees. In companies which provide retiree health plans, 81% of corporate benefits officers say health care plans for active employees have changed a great deal or somewhat in the past 3 years (Table 23).

The great majority of corporate benefits officers whose companies have made these changes consider them very or somewhat effective in helping them to manage their health care costs (Table 24). These changes appear to be somewhat more effective in managing health costs for active employees than for retirees: more corporate benefits officers consider changes for active employees very effective (37%) than they do changes for retirees (25%).

Table 23

HOW MUCH EMPLOYERS HAVE CHANGED HEALTH PLANS FOR ACTIVE EMPLOYEES AND RETIREES IN ORDER TO CONTAIN COSTS

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.15a (CBO's): How much would you say that you have changed your health care plans for active employees over the last 3 years in order to try to contain health care cost inflation—a great deal, somewhat, not much, or not at all?

Q.16a (CBO's): In the past 3 years, how much would you say that you have changed your health care plans for people who have already retired in order to try to contain health care cost inflation—a great deal, somewhat, not much, or not at all?

	How Much Health Plans Have Changed for...	
Base: 190	Active Employees	Retirees
	%	%
A great deal	36	14
Somewhat	45	27
Not much	11	19
Not at all	7	37
Not sure	1	2

Table 24

EFFECTIVENESS OF CHANGES MADE IN CONTAINING HEALTH COSTS FOR ACTIVE EMPLOYEES AND RETIREES

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over which have made changes in plans in the past 3 years

Q.15b (CBO's): Overall, how effective do you think that the changes you have made are—or will be—in helping you to control your health care costs for active employees—very effective, somewhat effective, not very effective, or not at all effective?

Q.16b (CBO's): Overall, how effective do you think that the changes you have made are—or will be—in helping you to control your health care costs for retirees—very effective, somewhat effective, not very effective, or not at all effective?

Base: 190	Active Employees	Retirees
	%	%
Very effective	37	25
Somewhat effective	53	61
Not very effective	6	9
Not at all effective	1	1
Not sure	3	4

Specific Changes in Health Plans and Their Effectiveness

Table 25 shows the percentages of employers providing retiree health benefits who have increased contributions, introduced or increased deductibles and made other changes in active employees, and retirees' health plans. The most prevalent changes made for retirees are institution of second opinions (52%), increased deductibles (43%), and institution of utilization reviews (34%).

Somewhat fewer employers have introduced deductibles or co-payments, or increased co-payments or contributions to premiums for retirees. These changes have been made in roughly the same order of frequency for active employees.

Utilization reviews, increased deductibles, and second opinions are the changes considered most effective in containing retiree health costs (Table 26).

Table 25

SPECIFIC CHANGES MADE IN HEALTH PLANS FOR ACTIVE EMPLOYEES AND RETIREES IN THE PAST 3 YEARS

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.17a (CBO's): Now I would like to ask you about changes that your company has made in your health care plans for any of your active employees and retirees during the last 3 years. Please say if you have made each change for active employees, retirees, both groups, or for neither group. In the last 3 years, have you (READ ITEM AND PROMPT ANSWER CATEGORIES)?

Base: 190		Active Employees	Retirees	Both Groups	Neither Group	Not Sure
Increased the contribution so that employees or retirees pay a larger part of their health insurance premiums	%	15	4	22	57	1
Required employees or retirees who previously paid no deductible to pay **a deductible**	%	5	2	21	73	
Increased the deductibles paid by employees or retirees	%	9	1	42	48	
Required employees or retirees who previously did not make co-payments **to make co-payments** (to cover part of their medical bills)	%	6	1	18	72	2
Increased the size of co-payments (paid by employees or retirees)	%	7	1	16	75	1
Instituted **second opinions** by a medical professional for non-emergency surgery or treatment for employees or retirees who did not need to get second opinions before	%	17		52	31	1
Instituted **utilization reviews** (by health care professionals when no such reviews were obtained before)	%	12		34	53	2

Table 26

CHANGES MOST EFFECTIVE IN CONTAINING RETIREE COSTS

Q.17b (CBO's): Which changes that you have made are most effective in containing retiree health costs?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Instituted utilization reviews	18
Increased deductibles	16
Instituted second opinions	13
Increased contributions	5
Required retirees to pay a deductible	4
Instituted pre-admission testing	4
Other	15
None effective	6
Have made no changes	18
Not sure	21

Steps Employers Have Taken, or May Take, To Contain Future Retiree Health Costs

Two-thirds (63%) of companies which provide retiree health benefits would like to begin taking steps, or take more extensive steps, to control the future costs of retiree health benefits (Table 27). The main reasons companies have not done this are employee or union opposition and, to a lesser extent, fear of lawsuits.

Only a 7% minority of these companies have taken steps in the last three years to limit the number of future retirees who will receive health benefits. And only a small fraction of the remaining companies (6%) plan to do this in the next three years (Table 28).

The story remains the same regarding cancellation of retiree health plans for some or all employees. Three percent of companies which currently do not provide retiree health benefits report cancelling such a plan in the past three years. Of those companies which do have retiree health plans, only 2% have stopped contributing to health costs for some retirees since 1983. Virtually none of the remaining 98% say that they plan to do this in the next three years (Table 29).

These findings certainly do not reflect employers' attitudes towards cancelling retiree health plans, or installing cost management controls in them. Forty percent of all corporate benefits officers believe that employers have the right to cancel retiree health plans, while 52% do not. And a near consensus of this group (91%) believe that employers have the right to install the same cost control measures in retiree health plans that they have installed active employee plans (Table 30).

Observation:

What factors have restrained employers from taking various steps to control future costs for retiree health benefits, since a large majority would like to and believe it is their right? Some employers cite employee and union opposition, or fear of litigation. Chapter 5 will substantiate that belief: retirees balk at any changes in what they are accustomed, but especially at cost control changes which increase their own health care costs; and cancellation of plans would also generate strong vocal and, perhaps, legal opposition from retirees or their unions. Employers are understandably cautious about retiree and employee backlash.

But a lack of understanding of the potential problems facing them, or an unwillingness to confront them, may also explain employers' inertia. As explained in Chapter 3, the great majority of employers who provide retiree health benefits have not calculated their future costs; and many do not know the current costs of providing retiree health benefits. Nearly half expect to incur major cost problems with retiree health benefits within a decade, but few have moved decisively to project what they will face.

Table 27

HOW MANY COMPANIES WOULD LIKE TO TAKE MORE STEPS TO CONTAIN FUTURE RETIREE HEALTH COSTS, AND WHY THEY HAVE NOT

Q.18a (CBO's): Would your company like to begin taking steps, or take more extensive steps than it already has taken, in order to control the future cost of retiree health benefits, or not?

Q.18b (CBO's): Which of the following is the main reason that you have not taken these steps—fear of lawsuits, employee or union opposition, or something else?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Q.18a	
Would like	63
Would not like	30
Not sure/refused	7
Q.18b	
Fear of lawsuits	8
Employee or union opposition	22
Costs	8
Few retirees	5
Lack of staff	6
Company policy	4
Other	38
Not sure/refused	10

Table 28

HOW MANY COMPANIES HAVE TAKEN STEPS, OR PLAN TO TAKE STEPS, TO LIMIT THE NUMBER OF FUTURE RETIREES WHO WILL RECEIVE HEALTH BENEFITS

Q.20a (CBO's): Has your company taken any steps in the past 3 years to limit the number of future retirees who will receive retiree health benefits, or not?

Q.20c (CBO's): Do you plan to take any steps in the next 3 years to limit the number of future retirees who will receive health benefits, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Q.20a	
Yes, steps taken in past 3 years	7
No steps taken	91
Not sure	2
Q.20c	
Yes, plan to take steps	6
Do not plan	75
Not sure/refused	11
Already taken steps (in Q.20a)	7

Table 29

PERCENT OF COMPANIES THAT HAVE CANCELLED RETIREE HEALTH PLANS, STOP CONTRIBUTING TO HEALTH PLANS FOR SOME RETIREES, OR PLAN TO STOP IN NEXT 3 YEARS

Q.2b (CBO's): Has your company cancelled a retiree health benefits program or stopped contributing to the cost of health coverage for retirees over the last 3 years, or not?

Q.19a (CBO's): In the past 3 years has your company stopped contributing to the cost of health benefits for any people who have already retired or their dependents, or not?

Q.19b (CBO's): In the next 3 years, do you plan to stop contributing to the cost of health benefits for people who have already retired or their dependents, or not?

	Companies with 500 or More Employees That Do Not Contribute to Health Plans for Retirees Age 65 and Over
Base	310
	%
Q.2b	
Yes, cancelled or stopped retiree health benefits	3
No, have not cancelled or stopped	95
Not sure/refused	2
	Companies with 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Q.19a	
Yes, stopped contributing for some retirees	2
No, have not	97
Not sure	1
	Companies Providing Health Benefits to Retirees That Have Not Stopped Contributing in Past 3 Years
Base	186
	%
Q.19b	
Yes, plan to stop	2
Do not plan	89
Not sure/refused	10

Table 30

PERCENT OF ALL EMPLOYERS WHO BELIEVE COMPANIES HAVE THE RIGHT TO INSTALL COST MANAGEMENT MEASURES IN RETIREE HEALTH PLANS, OR THE RIGHT TO CANCEL RETIREES' PLANS

Q.23 (CBO's): Do you think that employers should have the right to install the same cost control measures in retiree health plans that they have put into active employee health plans, or not?

Q.24 (CBO's): Do you think that employers should have the right to cancel the entire health benefits plan which they contribute to, for people who have already retired, or not?

	Companies With 500 or More Employees
Base	500
	%
Q.23	
Employers have right to install cost control measures in retiree plans	91
Do not have right	6
Not sure/refused	3
Q.24	
Employers have right to cancel retiree health plans	40
Do not have right	52
Not sure/refused	8
Already taken steps (in Q.20a)	7

CHAPTER 5: RETIREES REACT TO CHANGES IN BENEFITS

Familiarity and Attitudes Toward Cost Management Changes

About half (48%) of retirees in this survey have heard about cost containment changes in government and private health care plans. A 62% majority of those who have heard about these changes think that they are necessary to contain health care costs (Table 31).

Acceptability, and Prevalence, of Changes in Retirees' Health Plans

Large numbers of retirees—ranging from pluralities to strong majorities—regard changes in health plans which increase their out-of-pocket costs as unacceptable. Seventy-nine percent say that increased co-payments would not be acceptable. Fifty-three percent regard increased deductibles as unacceptable; and 47% react negatively to shifting in premium payments from third-party payors to retirees. The only change in health plans that garners strong support from retirees is the institution of wellness programs, which 69% support (Table 32).

But few retirees report that any of these changes have been made in their own employer-provided health plans. Their perceptions are reasonably close to the frequency of changes reported earlier by corporate benefits officers (see Table 25).

Observation:

Employers should not count on shifting a large burden of future health costs to retirees without encountering considerable resistance. These findings reveal some room for increased cost-sharing by retirees, but not much. Retirees react far more negatively to such changes than did the general public or heavy users of health care services in other Harris surveys.

The Effect of Changes in Retirees' Health Plans

Seven percent of retirees who have employer-provided health benefits say that changes made by their former employer have reduced their access to health care (Table 32).

Observation:

For some retirees, especially those with lower incomes, the effects of cost management controls may be reduced access to needed health services, and increased economic hardship.

Table 31

HOW MANY RETIREES HAVE HEARD OF HEALTH CARE COST CONTAINMENT CHANGES, AND THINK THEY ARE NECESSARY

Q.4b (Retirees): Many health insurance plans, including both government and private health insurance, have made changes to slow down the inflation of health care costs. Have you heard about any of these changes, or not?

Q.4c (Retirees): Do you think that these changes are necessary to contain health care costs, or not?

	All Retirees
Base	501
	%
Q.4b	
Have heard about changes	48
Have not heard about changes	52
Not sure	1
	Retirees Who Have Heard About Changes
Base	238
	%
Q.4c	
Yes, changes necessary	62
Not necessary	21
Not sure	17

Table 32

ACCEPTABILITY, PREVALENCE, AND EFFECTS OF CHANGES IN HEALTH PLANS TO RETIREES WITH EMPLOYER-PROVIDED BENEFITS

Base: Retirees who have employer-provided health benefits through their former employer, or their spouses

Q.5a (Retirees): Now I'd like to ask you about changes that some health insurance plans are making. Please tell me if you think each change is acceptable as a way of containing health care costs, or not. We'd be interested in your opinion even if this does not apply to your health insurance plan. READ ITEM AND SAY: "Is that an acceptable change to contain costs, or not?"

Q.5b (Retirees): And is that a change which your former employer has made to your health insurance plan, or not?

Q.6 (Retirees): Have any changes made in your health coverage from your former employer made it harder for you to get health care, or not?

		Q.5a				Q.5b		
		Acceptable	Not Acceptable	Not Sure	Refused	Has Made Change	Has Not Changed	Not Sure
Changing your plan so that you now pay part of your own health insurance premiums when you didn't before	%	41	47	12		18	73	8
Increasing the deductible which you must pay	%	30	53	12		19	69	12
Starting a health promotion or wellness program where you can get advice and help on how to improve your health and prevent disease	%	69	20	11		14	72	14
Requiring you to pay a larger part of each medical bill	%	15	79	7		9	78	12

	Retirees Whose Employer-Provided Health Benefits Have Changed
Base	245
	%
Yes, changes have made it harder to get health care	7
Changes have not made it harder	89
Not sure	4

CHAPTER 6:
THE POTENTIAL FOR ENROLLING RETIREES IN HMOs AND PPOs

Familiarity and Current Membership in HMOs

A 60% majority of retirees have little or no familiarity with health maintenance organizations. Familiarity rises among younger retirees, who are about as familiar with HMOs as heavy users of health services. Heavy users are much younger as a group than most retirees (Table 33).

Six percent of retirees report being members of HMOs, which is somewhat lower than membership among heavy users and the general public, as measured in earlier Harris surveys*.

*Note: Figures for the general public are not shown in a table.

Table 33

RETIREES' FAMILIARITY WITH, AND MEMBERSHIP IN, HEALTH MAINTENANCE ORGANIZATIONS

Q.8c (Retirees): Before this interview, how familiar were you personally with the term "health maintenance organization," or its abbreviation "HMO"—very familiar, somewhat familiar, not too familiar, or not at all familiar?

Q.8d (Retirees): In an HMO, a monthly fee paid in advance covers nearly all of the cost of a member's health and medical care. However, HMO members receive health care only from a group of medical doctors who work with the HMO, and they use only the hospitals where they are referred. Are you a member of an HMO or not?

		Retirees by Age				
	Total Retirees	64 or Less	65-69 Years	70-74 Years	75 and Over	Heavy Users of Health Care Services*
Base	501	141	165	100	86	1514
	%	%	%	%	%	%
Q.8c						
Very familiar	15	23	13	11	9	22
Somewhat familiar	25	24	29	24	20	25
Not too familiar	17	19	16	16	16	17
Not at all familiar	43	34	40	48	55	36
Not sure	1	-	1	1	-	-
Q.8d						
Member of an HMO	6	6	5	8	8	9
Not a member	93	94	95	90	91	89
Not sure	1	-	1	2	1	2

*Source: The EQUICOR Health Care Survey V, 1986

Interest in Joining HMOs

The survey findings suggest significant opportunities to expand HMO membership among retirees. For every retiree who currently belongs to an HMO, there is another retiree who is very interested in joining, and almost two who are somewhat interested. Interest is greatest among those who are dissatisfied with their health services.* But potential HMO growth among retirees is much smaller than it is among the general public and heavy users of health services (Table 34).

Linking HMOs to retirees' own physicians, or to the hospital of their choice, are more attractive options to retirees than the traditional HMO. The proportion of retirees who say they are very interested in joining an HMO rises from 6% to 9% if the HMO is available through the hospital of their choice; and it increases to 14% if they could continue to use their current doctors. Both options are the most attractive to the youngest retirees, those under age 65. Thirteen percent of this group are very interested in joining an HMO linked to the hospital of their choice; and 21% are very interested in joining if they could stay with the doctor of their choice.*

However, even this higher level of interest in alternative HMOs remains much lower than the interest among heavy users of health care services. Nine percent of heavy users are very interested in joining a traditional HMO. This proportion rises to 20% for HMOs available through the hospital of their choice; and it jumps to 34% for HMOs affiliated with their own doctor.**

Observation:

These findings demonstrate a clear potential for enrolling more retirees in managed health care plans. HMOs are certainly a more palatable alternative to retirees than increased cost-sharing and some other cost-containment methods. To accomplish this, employers must first find ways to inform a great many more retirees about HMOs, and opportunities to join. Familiarity with HMOs must rise a great deal above 40% (Table 33).

Employers and other third-party payors also should understand that it will be very difficult to shift large numbers of retirees into HMOs. Many are uncomfortable with change, and will resist efforts to take away what they have known for decades—fee-for-service health care with their own doctors.

The best way to control retirees' health costs through managed care systems would be to enroll them while they are still employed, or as early in retirement as possible. The younger the potential members, the better the chances of persuading them to join HMOs.

*These data are not shown in a table.

**Source: The EQUICOR Health Care Survey V, 1986

Table 34

INTEREST AMONG RETIREES IN JOINING DIFFERENT TYPES OF HMOs

Base: Retirees who do not belong to HMOs

Q.8e (Retirees): From what you know now about HMOs or health maintenance organizations, how interested would you be in joining one—very interested, somewhat interested, hardly interested, or not at all interested?

Q.8f (Retirees): There are two kinds of HMO s that I would like to describe to you. In the first kind a hospital runs the HMO. The hospital provides any necessary hospital care and uses only the doctors who are on the hospital staff. If a high quality hospital near you offered you membership in their HMO, how interested would you be in joining—very interested, somewhat interested, hardly interested, or not at all interested?

Q.8g (Retirees): Another kind of HMO is one in which the doctor you use most would be a member of the HMO staff. You could continue to use his services and, if you needed hospital care, he would choose the hospital.

How interested would you be in joining this kind of HMO—very interested, somewhat interested, not very interested, or not at all interested?

Base: 470	Q.8e Interest in Joining an HMO	All Adult Non-Members*	Q.8f Interest in Joining HMO in Hospital of Choice	Q.8g Interest in Joining HMO Affiliated With Doctor of Choice
	%	%	%	%
Very interested	6	8	9	14
Somewhat interested	11	32	20	18
Hardly interested	9	17	9	9
Not at all interested	66	40	53	50
Not sure	7	1	10	8

*Source: Harris survey for Kaiser Family Foundation, 1984, of all adults aged 18 and over

Interest in Joining PPOs

The potential for enrolling retirees in preferred provider organizations (PPOs) is about equal to that for HMOs. It appears strong enough to possibly triple or quadruple PPO membership among retirees in the near future.

At present, 2% of retirees say that they belong to a PPO. Five percent of the remainder say that they are very interested in joining, and an additional 12% are somewhat interested (Table 35).

Observation:

Just as with HMOs, it will be much harder to shift retirees into PPOs than younger consumers, who generally have less allegiance to particular physicians and health services. Resistance to change from retirees will probably check growth in this new form of managed care.

Table 35

MEMBERSHIP IN PPOs, AND INTEREST IN JOINING, AMONG RETIREES

Q.9a (Retirees): A PPO or Preferred Provider Organization is a new type of organization of doctors and hospitals which provides health care services at a less expensive or discounted price.

If you choose to use a doctor or hospital which belongs to the PPO, you pay a lower deductible and a smaller part of each bill. But you also have the option to use a doctor or hospital which are not members of the PPO, but you will pay more.

Are you a member of an organization like this, or not?

Q.9b (Retirees): How interested would you be in joining a PPO—very interested, somewhat interested, hardly interested, or not at all interested?

	All Retirees
Base	501
	%
Q.9a	
Member of a PPO	2
Not a member	96
Not sure	1
	Retirees Who Do Not Belong to a PPO
Base	490
	%
Q.9b	
Very interested	5
Somewhat interested	12
Hardly interested	12
Not at all interested	63
Not sure	7

CHAPTER 7:
CORPORATE BENEFITS OFFICERS REACT TO FEDERAL GOVERNMENT POLICY OPTIONS

Possible Policy Changes for Managing Retiree Health Costs

Corporate benefits officers rated seven possible federal policy changes which might help companies to manage the future costs of retiree health benefits (Table 36). A federal policy which would allow employers to create medical IRAs—tax-deductible or tax-exempt matching fund accounts for employees—proved most popular. More than eight in 10 corporate benefits officers say that tax-deductible or tax-exempt medical IRAs would be very or somewhat helpful to employers in managing retiree health costs.

Other possible changes which garnered majority support were: giving Medicare patients a financial incentive to join HMOs (72%); allowing full tax-deductible status for voluntary employee benefit associations, known as VEBAs or 501(c)(9) trusts (61%); and allowing employers to convert their retiree health plans into separate health care "pension" plans (57%).

Far fewer corporate benefits officers (46%) felt that ending the limitations on annual employer contributions to 401(h) trusts would help them to control retiree health costs; and only 9% said that requiring employers to disclose unfunded liability for retiree health benefits would be a very helpful government policy change.

Observation:

One interpretation of these findings is that employers lend the most support to government policy changes which would require the smallest financial commitment of them, or allow them to greatly reduce their liability for future retiree health costs. Conversely, the least popular policy changes would require increased cash commitments through pre-funding vehicles, or expose them to the greatest scrutiny of their liability for these costs.

Table 36

HOW HELPFUL VARIOUS POLICY CHANGES WOULD BE TO EMPLOYERS IN MANAGING RETIREE HEALTH COSTS

Base: All companies with 500 or more employees

Q.26 (CBO's): Now I will read you some policy changes which the government might make. Please say for each change how helpful you think it would be to companies like yours—very helpful, somewhat helpful, not very helpful, or not helpful at all?

Base: 500		Very Helpful	Somewhat Helpful	Not Very Helpful	Not Helpful at All	Not Familiar (Vol.)	Not Sure
Allow employers to create tax-deductible matching fund accounts with employees—sometimes called medical-IRA's—which employees could use to pay for health insurance in retirement, or for long-term care costs	%	33	49	10	6	1	2
Create an even more attractive form of medical-IRA's (like the one I just described), but where retirees pay no taxes on funds used for health care or long-term care costs	%	44	39	10	4	1	2
Require employers to disclose unfunded liability for retiree health benefits	%	9	29	27	23	4	8
Allow employers to end their open-ended commitments to give retirees health care coverage, and instead pay retirees specified dollar amounts for health care—in effect, creating separate health care "pension" plans	%	15	42	22	15	*	6
Giving Medicare patients a financial incentive for joining HMOs, so that more retirees become HMO members	%	32	40	15	9	*	3
Allow full tax-deductible status for 501(c)(9) trusts, known as VEBA's (IF NECESSARY: Voluntary employee benefit associations)	%	30	31	5	4	28	3
End the limitations on annual employer contributions to 401(h) trusts	%	15	31	9	7	33	5

*Less than 0.5%

CHAPTER 8:
EMPLOYEES AND RETIREES TALK ABOUT THEIR HEALTH INSURANCE NEEDS

Future Retirees' Health Insurance Needs

Half (51%) of all employees anticipate needing health insurance, in addition to Medicare, when they retire. This feeling is somewhat stronger among employees in the lowest income ranges.

It is by far the strongest among those dissatisfied with their current health insurance. Seventy-eight percent of those dissatisfied with their health insurance say they will need additional coverage, compared to only 48% of those satisfied with their health insurance (Table 37).

Among employees who anticipate needing additional health coverage to Medicare, 43% think that their present employer will provide it; 23% say they will have to buy it themselves; and 19% believe that it will come from some other source.

Table 37

HOW MANY FUTURE RETIREES WILL NEED ADDITIONAL COVERAGE, AND WHERE THEY WILL GET IT

Q.4 (Employees): Do you think you will need to have additional health insurance to pay for all or part of the costs that Medicare will not pay for, or not?

Q.5a (Employees): If someday you do get additional health insurance, apart from Medicare, would you buy it, or get it as a retired person from your present employer, or get it from somewhere else?

		Age				Income					Satisfaction With Health Insurance	
	Total Employees	18-29 Years	30-39 Years	40-49 Years	50 and Over	$15,000 or Less	$15,000 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 and Over	Very/ Somewhat Satisfied	Not Very/ Not at All Satisfied
Base	1,005	282	340	221	154	87	210	230	244	184	896	89
	%	%	%	%	%	%	%	%	%	%	%	%
Q.4												
Yes, will need	51	54	53	48	45	63	52	55	45	51	48	78
No, will not need	38	35	34	42	45	30	35	35	41	41	40	12
Not sure	12	11	13	10	10	7	12	10	14	9	11	10
Q.5a												
Would buy it	23	26	20	22	27	22	22	24	23	26	23	28
Present employer will provide	43	39	43	50	41	34	37	45	46	48	45	31
Somewhere else	19	21	21	14	17	31	28	15	19	9	18	26
Not sure	15	15	16	13	14	13	14	16	11	17	14	15

Types of Health Costs Which Most Concern Retirees and Future Retirees

No single type of health care service appears to dominate retirees' concerns about paying for health costs. In fact, a 53% majority say that there is no one type of health care cost which worries them most. Twenty-four percent named hospital bills as the cost which worried them most, 9% said nursing home care, and 3% said that the cost of doctor's bills worried them most (Table 38).

Employees were asked which types of health care costs they would most need additional health coverage for in the future. Forty-two percent said they would most need additional coverage to pay for a major illness, 40% said hospitalization, 32% said doctor's bills, 15% said nursing home care, and another 15% said prescription drugs.

Table 38

TYPES OF HEALTH COSTS WHICH CONCERN RETIREES AND FUTURE RETIREES MOST

Q.11d (Retirees): Of all the different types of health care services you may need and have to pay for in the future, is there one type of health care service that you worry about most because of its cost? (IF "YES," ASK: What is that? AND PROBE FOR SPECIFIC SERVICE)

Q.5b (Employees): For which types of health care costs do you think you would most need this health insurance—for a major illness, for nursing home care, for hospital care, doctor bills, drugs, or something else?

	Retirees
Base	501
	%
No future cost that worries them most	53
Hospital bills	24
Nursing home care	9
Doctor's bills	3
Other cost	4
Not sure	7

	Employees
Base	1,005
	%
Major illness	42
Hospitalization	40
Doctor's bills	32
Nursing home care	15
Prescription drugs	15
Other costs	1
Not sure	8

Information From Employers About Paying for Retiree Health Costs

One in three retirees (34%) report that their former employer gave them some information or advice, before retirement, about how they would pay for their health care costs. Almost as many current employees (30%) report that their employer already has given them this type of information.

Observation:

The glass may be one-third full or two-thirds empty in this finding. The Equitable Health Care Survey III, conducted last year, showed a powerful correlation between how well employers communicate with employees and employees' willingness to accept increased cost-sharing. Employers who did the best job communicating changes in policies and health plans had the happiest and most cooperative employees. It stands to reason that employers could also improve employee relations by assisting them more in planning for their future health care needs, even if a company does not provide retiree health benefits.

Table 39

PERCENT OF CURRENT EMPLOYEES AND RETIREES WHO HAVE RECEIVED INFORMATION FROM EMPLOYERS ABOUT PAYING FOR RETIREE HEALTH COSTS

Q.6 (Employees): Have you ever received any information or advice—verbally or in writing—from your employer about how you would pay for your health care after you retire, or not?

Q.4a (Retirees): Before you retired, did your former employer ever give you any information or advice about how you would pay for your health care after you retired?

	Base		Have Received	Have Not Received	Not Sure
Employees	1,005	%	30	67	3
Retirees	501	%	34	63	2

CHAPTER 9:
RETIREES AND EMPLOYEES THINK ABOUT THE COST OF NURSING HOME CARE

Retirees' Thoughts About Nursing Home Care

The possibility of someday moving into a nursing home, or other retirement facility, has crossed the mind of a majority of retirees (55%), although not too often. Those aged 75 and over are somewhat more likely to have considered the necessity of living in a retirement facility which provides full-time care. But overall, only one in five retirees (21%) claim to have given this subject a lot of thought. Another 24% have given it some thought, and 43% say they have not thought about someday having to move into a nursing home (Table 40).

When asked what type of retirement facility they would choose to enter, if they could no longer take care of themselves, 27% said it would be a nursing home; 15% named a senior citizens residence or center; 8% said they would rather stay at home; 3% said they would move in with their children or other family members; and 1% said they would enter a Veteran's facility (Table 41).

Observation:

Few retirees' lives are dominated by fear of losing their independence some day. "It won't happen to me," seems to be the attitude of most. Other results in this chapter will lend credence to this interpretation.

Chapter 11 will show that most retirees in this survey are in good health and reasonable financial shape, and are satisfied with their standard of living. This would explain, in part, why they don't think much about losing these things because of illness or old age.

Table 40

HOW MUCH THOUGHT CURRENT RETIREES HAVE GIVEN TO SOMEDAY MOVING INTO A NURSING HOME

Q.10a (Retirees): Have you given any thought to what you would do if you could no longer take care of yourself at home and needed to move into a place that provides regular daily care?

Q.10b (Retirees): Would you say that you have given this subject a lot of thought, some thought or not much thought?

		Age			
	All Retirees	64 or Less	65-69 Years	70-74 Years	75 and Over
Base	501	141	165	100	86
	%	%	%	%	%
Q.10a					
Yes, have thought about it	55	53	56	50	62
No, have not	43	46	43	47	36
Not sure	1	1	1	3	1

	All Retirees
Base	501
	%
Q.10b	
A lot of thought	21
Some thought	24
Not much thought/no thought	10
Not sure	*
All who have thought about having to enter a nursing home	55

*Less than 0.5%.

Table 41

TYPE OF RETIREMENT FACILITY RETIREES SAY THEY WOULD ENTER

Base: All retirees

Q 10c (Retirees): If you could no longer take care of yourself at home, and needed to move into a place that provides regular care, what type of facility do you think you would enter?

	All Retirees
Base	501
	%
Type of Facility	
Nursing Home	27
Senior citizens residence or center	15
Stay with children/family	3
Hospital	2
Veteran's facility	1
Retirement village	1
Other	1
Would rather die	1
Would rather stay at home	8
Not sure	37
Refused	1

Retirees and Employees' Thoughts About Paying for Nursing Home Care

Not surprisingly, even fewer employees have ever considered how they would pay for nursing home care for themselves, or their spouses. Six percent of employees have thought a lot about this subject, 19% have given it some thought, and the other three-fourths (75%) have not thought much, or at all, about this. However, a larger proportion of employees aged 50 and over have thought about how they would pay for nursing home care: 14% have given it a lot of thought, and 29% have given it some thought (Table 42).

Thus, very few retirees or employees worry much about paying for nursing home care. Only 15% of retirees and 3% of employees say they worry a great deal about this (Table 43). Majorities of both groups just don't worry about what they would do if, at some point in the future, they or their spouses become debilitated.

About one-third of retirees (31%) and employees (36%) believe that they would have to pay for nursing home care themselves; 10% of retirees and 24% of employees say that employer-provided insurance would cover these costs; 14% of retirees and 12% of employees think other private insurance would cover these costs; and 18% of retirees and 16% of employees believe that Medicare or Medicaid would pay for nursing home care (Table 44).

Observation:

These findings reveal a great deal of ignorance among both retirees and employees about the extent of coverage provided by private and government insurance plans. Medicare does not cover the cost of nursing home care, and Medicaid only covers these costs for people who have almost no assets. The vast majority of private health insurance plans do not cover the cost of nursing home care. Perhaps increased efforts by policymakers in both the public and private sectors would increase Americans' knowledge about these potential costs, and help them to plan better for the future.

Table 42

HOW MUCH EMPLOYEES HAVE THOUGHT ABOUT PAYING FOR NURSING HOME CARE

Q.8a (Employees): How much thought have you given to the question of how you would pay for nursing home care if, someday, you or your spouse must move to a nursing home or other place that provides regular care—have you given this a lot of thought, some thought, not much thought, or none at all?

	Age				
	All Employees	18-29 Years	30-39 Years	40-49 Years	50 and Over
Base	1,005	282	340	221	154
	%	%	%	%	%
A lot of thought about it	6	3	5	4	14
Some thought	19	15	14	23	29
Not much thought	31	27	36	35	25
None at all	44	55	45	38	32
Not sure	*	*	—	—	—

*Less than 0.5%.

Table 43

HOW MUCH RETIREES AND EMPLOYEES WORRY ABOUT PAYING FOR NURSING HOME CARE

Q.10d (Retirees): Would you say that you worry a great deal, some, or not much about how you would pay for care in a nursing home or other place that provides regular care?

Q.8b (Employees): How much do you worry about how you would pay for nursing home care if you should ever need it—do you worry a great deal, some, or not worry much?

	Q.10d All Retirees	Q.8b All Employees
Base	501	1,005
	%	%
Worry a great deal	15	3
Some	18	13
Not much/not at all	63	83
Not sure	4	1

Table 44

HOW RETIREES AND EMPLOYEES THINK THEY WOULD PAY FOR NURSING HOME CARE

Q.10f (Retirees): How do you think you would pay the bills if you had to enter a nursing home or other place that provides regular care?

Q.8c (Employees): Suppose that some day you are no longer able to take care of yourself at home and have to move into a nursing home or other place that provides regular care. How do you think this would be paid for? Anything else?

	Q.10f All Retirees	Q.8c All Employees
Base	501	1,005
	%	%
Personal funds/savings	31	36
Employer-provided health insurance	10	24
Other insurance	14	12
Medicare	15	13
Medicaid	3	3
Spouse/children/family would pay	4	7
Veterans Administration	1	1
Social Security	1	2
Pension	1	1
Need to sell home	4	1
Other	1	2
Would not be able to pay	5	—
Not sure	29	26
Refused	2	1

Employees' Interest in Trading Benefits for Future Nursing Home Coverage

There is a fairly high level of interest among employees in trading some current benefits provided by their employer in exchange for insurance coverage for future nursing home costs. Five percent of employees say they would be very interested in doing this, and 32% would be somewhat interested. The remaining 61% expressed little or no interest in such an option (Table 45).

Observation:

There appears to be enough employee interest in this type of exchange to warrant employers' consideration of such an option. It seems reasonable to assume that demand for long-term care insurance would increase if more employees realized that they have no long-term care coverage.

Table 45

EMPLOYEES' INTEREST IN TRADING SOME CURRENT BENEFITS FOR FUTURE NURSING HOME COVERAGE

Q.9a (Employees): How interested would you be in reducing some of your current benefits from your employer, in exchange for insurance coverage for part of the future cost of nursing home care—very interested, somewhat interested, not very interested, or not at all interested?

	All Employees
Base	1,005
	%
Very interested	5
Somewhat interested	32
Not very interested	24
Not at all interested	37
Not sure	1

CHAPTER 10:
RETIREES AND EMPLOYEES THINK ABOUT PLANNING FOR RETIREMENT

How Much Employees Plan for Retirement

The extent to which different retirees planned for retirement varies greatly by income. Fewer than two in ten poorer retirees (18%), those with incomes of $15,000 or less, feel that they planned enough for retirement while still working full-time. In contrast, majorities of retirees with incomes of at least $25,000 said that they planned enough for retirement while still working full-time (Table 46).

Overall, 33% of retirees said that they planned enough for retirement, 37% planned some but not enough, and the remaining 29% did hardly any planning at all. This proportion rises to 43% among retirees with incomes of $15,000 or less.

When asked what they would do differently if given a second chance to plan for retirement, most retirees said that they would save more, or invest more money in stocks, bonds, real estate, or IRAs. Thirty-four percent said that they would do nothing differently (Table 47).

Only 20% of current employees feel that they have done enough planning for retirement (Table 46). Nearly half (46%) say that they have planned some but not enough, and one-third (33%) have hardly planned at all. However, older employees are much more likely than are younger employees, to believe that they already have planned enough for retirement. Forty-three percent of employees aged 50 and over feel that they have planned enough, compared to only 7% of those aged 18 to 29, and 16% of those aged 30 to 39.

Table 46

HOW MUCH EMPLOYEES PLAN FOR RETIREMENT WHILE STILL WORKING FULL-TIME

Q.11a (Retirees): And finally, I'd like to ask you a few questions about retirement. How much planning would you say that you did for your retirement while you were still working full-time—enough planning, some planning but not enough, or hardly any planning at all?

Q.10a (Employees): Now, I'd like to ask you a few final questions about retirement. How much planning would you say that you have done for your retirement—enough planning, some planning but not enough, or hardly any planning at all?

	Retirees					Employees				
		Income					Age			
	Total Retirees	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 and Over	Total Employees	18-29 Years	30-39 Years	40-49 Years	50 and Over
Base	501	194	95	53	55	1,005	282	340	221	154
	%	%	%	%	%	%	%	%	%	%
Enough planning	33	18	45	53	56	20	7	16	25	43
Some planning, but not enough	37	38	42	26	31	46	34	51	55	47
Hardly any planning at all	29	43	13	21	11	33	57	33	20	10
Not sure	1	2	—	—	2	*	1	—	—	1

*Less than 0.5%

Table 47

HOW RETIREES WOULD PLAN DIFFERENTLY FOR RETIREMENT

Q.13c (Retirees): If you had the chance to plan for your retirement again, what is the one thing you would do differently than you did when you were younger?

	All Retirees
Base	501
	%
Save money/save more	23
Make investments/invest more	6
Better investments	2
Invest in stocks	2
Invest in bonds	1
Invest in real estate/property	2
Invest in IRA/if IRA had been available	6
More money into retirement fund/plan	3
More conservative spending	2
Purchase own insurance plan	2
More insurance coverage	2
Pay more attention to investments	1
Get advice/someone to help pla[illegible]t	1
Work for company with more/bette[illegible]enefits	4
Work longer/not retire as early	2
Retire earlier	2
Better education	1
Other	6
Nothing	34
Don't know	10

Employer Assistance in Retirement Planning

An earlier finding showed that about three in 10 employees and retirees received information from their employers about paying for health costs in retirement (see Chapter 8). Table 48 shows that employers provide more help in the area of retirement planning. Forty-seven percent of employees have received a great deal or some help from their employer in planning for retirement, compared to 38% of retirees.

But even more employees—a 54% majority—would like their employer to give greater planning assistance than they currently provide. Fewer retirees (43%) would have wanted more planning assistance than what their former employers provided, but this is still a significant proportion.

Observation:

As suggested at the end of Chapter 5, the payoffs to employers from increased and better communications programs are better relations with employees, and higher levels of satisfaction. Increased assistance in planning for retirement is yet another area in which employers could accrue good will.

Table 48

HOW MUCH ASSISTANCE EMPLOYEES GET IN RETIREMENT PLANNING FROM EMPLOYERS, AND HOW MUCH THEY WANT

Q.10b (Employees): How much assistance has your employer given you in planning for your retirement—would you say a great deal, some, hardly any, or no assistance at all?

Q.10c (Employees): Would you want your employer to give you more assistance in planning for retirement than you receive now, or not?

Q.11b (Retirees): How much assistance did your previous employer give you in planning for your retirement? Would you say a great deal, some, hardly any, or no assistance at all?

Q.11c (Retirees): Would you have wanted your previous employer to give you more assistance in planning for retirement than you received, or not?

	Q.10b All Employees	Q.11b All Retirees
Base	1,005	501
	%	%
Amount of Planning Assistance Given by Employer		
A great deal	17	15
Some	36	23
Hardly any	19	17
No assistance at all	27	43
Not sure	1	1

	Q.10c All Employees	Q.11c All Retirees
Base	1,005	501
	%	%
Whether or Not More Assistance Is Wanted		
Yes	54	43
No	43	52
Not sure	3	5

CHAPTER 11: RETIREES' HEALTH AND FINANCIAL STATUS

Retirees' Health Status Compared With Other Groups

The survey findings show that a large majority of retirees believe that their health is excellent or good, while relatively few think of their health as poor. Two-thirds of retirees describe their own health as excellent (23%) or good (43%), another quarter (24%) say their health is fair, and 11% believe their health is poor (Table 49).

But a comparison of health status between retirees and two other groups reveals that retirees' relative health status is much closer to that of people in ill health, the heavy users, than to most current employees. Ninety-five percent of current employees describe their health status as excellent (52%) or good (43%). In comparison, only 67% of heavy users of health services believe that their health is excellent (27%) or good (41%). The proportion in each of these categories is nearly identical with that of retirees.

Observation:

Nevertheless, that most retirees enjoy at least good health is one of the most important findings in this survey. It should reassure policymakers that poor health is not a serious problem for most retirees. As a group, they are doing all right. And as the next finding will show, the great majority of retirees express satisfaction with the health services which they use. As reported earlier, 97% of retirees report having some health insurance coverage (Table 8). Their experience with their coverage and health services appears to have convinced them that if they become ill, their needs will be met.*

*Note: It should be understood that most of these retirees are, by definition, healthy enough to live at home under their own, or their families' care. The sickest retirees—those hospitalized or institutionalized—were not interviewed for this survey.

Table 49

RETIREES' HEALTH STATUS COMPARED TO CURRENT EMPLOYEES AND HEAVY USERS OF HEALTH SERVICES

Q.2 (Employees): In general, how would you describe your own health—is it excellent, good, fair, or poor?

Q.1a (Retirees): In general, how would you describe your own health—is it excellent, good, fair, or poor?

	Retirees	Current Employees	Heavy Users of Health Services**
Base	501	1,005	1,005
	%	%	%
Excellent	23	52	27
Good	43	43	41
Fair	24	5	23
Poor	11	1	8
Not sure	*	—	1

*Less than 0.5%

**Source: The EQUICOR Health Care Survey V, 1986

Retirees' Satisfaction With Health Services

Three-fourths of retirees express satisfaction with the health services that they have used in the last few years, and 49% say they are very satisfied. Only 14% report having dissatisfying experiences, overall, with health services (Table 50).

These findings are fairly consistent among retirees in different regions, age groups, and income groups. However, there are important exceptions. Dissatisfaction with health services is significantly higher among disabled retirees, and the minority in fair or poor health. Twenty-four percent of disabled retirees (about one-quarter of all retirees) report being somewhat (13%) or very (11%) dissatisfied with their health services. The corresponding figure is 22% among retirees who describe their health status as fair or poor.

Observation:

This high overall level of satisfaction with health services is another important indicator that most retirees live healthy, stable lives. But the higher levels of dissatisfaction among retirees who most need health services—disabled retirees and those in the worst health—should send a clear message to health care providers, policymakers, and third-party payors that greater efforts could be made to accommodate their health care needs. In other words, a better job could still be done to provide excellent health services to all who need them.

Table 50

RETIREES' SATISFACTION WITH HEALTH CARE SERVICES

Q.2 (Retirees): Overall, how do you feel about the health care services that you have used in the last few years? Would you say you are very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

	Base		Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied	Not Sure
Total Retirees	**501**	**%**	**49**	**28**	**8**	**6**	**9**
Region							
East	117	%	44	31	6	6	13
Midwest	147	%	49	31	9	5	6
South	162	%	50	25	7	10	8
West	75	%	55	25	8	3	9
Age							
64 years or less	(141)	(%)	(51)	(25)	(11)	(6)	(8)
65-69 years	165	%	45	31	9	5	10
70-74 years	100	%	45	30	3	11	11
75 and over	86	%	58	28	6	3	5
Income							
$15,000 or less	194	%	38	32	9	9	12
$15,001 to $25,000	95	%	56	29	8	3	3
$25,001 to $35,000	53	%	53	30	8	—	9
$35,001 and over	55	%	56	24	5	7	7
Sex							
Male	252	%	52	27	8	5	9
Female	249	%	47	30	7	8	8
Disabled							
Yes	130	%	35	36	13	11	5
No	368	%	54	26	5	5	10
Health Status							
Excellent	115	%	58	17	5	7	12
Good	213	%	52	31	5	3	9
Fair/poor	172	%	40	32	13	9	6

Retirees' Standard of Living

This final set of findings broadens the general story of good health and satisfaction with health services told in this chapter. More than nine in ten retirees, fully 92%, claim to be very satisfied (61%) or somewhat satisfied (31%) with their current standard of living. Of equal import, almost as many retirees report that their standard of living has not changed since retirement (66%), or actually has increased (15%). Only 18% say that their standard of living has decreased since retirement (Table 51).

Remarkably, the overall findings vary little by income and across other key demographic groups. It is the proportion of a group who are very satisfied with their standard of living that separates poor retirees from wealthier ones, younger retirees from the older ones, and those in excellent health from those in fair or poor health. For example:

- Forty-three percent of those with incomes of $15,000 or less are very satisfied with their standard of living, compared to 84% of retirees with incomes of at least $35,000.
- Fifty-seven percent of retirees aged 64 or less are very satisfied with their standard of living, nine points fewer than the 66% among retirees aged 75 and over.
- Forty-eight percent of retirees in fair or poor health are very satisfied with their standard of living, compared to 77% of those in excellent health.
- And far fewer disabled retirees are very satisfied with their standard of living (42%) than non-disabled retirees (67%).

Thus, many more of the poorest and least healthy retirees report that their standard of living has dropped since they retired. Almost three out of ten (28%) retirees with incomes of $15,000 or less have a lower standard of living in retirement. Even higher proportions of disabled retirees (36%) and those in ill health (31%) have suffered decreased standards of living since they retired.

Observation:

Once again, the overall news about retirees is quite reassuring. As a group, they claim to be happy with their standard of living, and most have not suffered much as a result of retiring. Not surprisingly, fewer poor retirees, and those who are disabled or in the worst health (largely the same group), express complete satisfaction with their situation. But hardly any of these retirees express dissatisfaction; no more, in fact, than retirees with excellent health and far bigger incomes. That is the more telling measure of retirees' overall satisfaction with their standard of living.

Table 51

RETIREES' SATISFACTION WITH STANDARD OF LIVING, AND EXTENT OF CHANGE SINCE RETIREMENT

Q.12a (Retirees): How satisfied are you with your standard of living—very satisfied, somewhat satisfied, not too satisfied, or not satisfied at all?

Q.12b (Retirees): And is your standard of living higher, lower, or about the same as before retirement?

		Income				Age				Health Status			Disabled	
	All Retirees	$15,000 or Less	$15,001 to $25,000	$25,001 to $36,000	$36,001 and Over	64 or Less	65-69 Years	70-74 Years	75 and Over	Excellent	Good	Fair/ Poor	Yes	No
	501	194	95	53	55	141	165	100	86	115	213	172	130	368
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Q.12a Satisfaction With Standard of Living														
Very satisfied	61	43	69	74	84	57	60	61	66	77	62	48	42	67
Somewhat satisfied	31	43	27	23	16	35	33	28	27	20	30	40	43	27
Not too satisfied	4	7	1	—	—	4	2	9	3	—	4	6	9	2
Not satisfied at all	3	5	1	—	2	3	3	2	2	2	2	3	4	2
Not sure	1	1	1	4	—	1	2	—	1	1	1	2	2	1
Q.12b Change in Standard of Living Since Retirement														
Higher	15	10	12	19	20	10	12	18	26	10	16	16	18	13
Lower	18	28	16	6	7	26	18	14	12	7	15	31	36	12
About the same	66	60	73	75	73	62	69	68	60	82	68	53	45	73
Not sure	1	2	—	—	—	1	1	—	2	1	1	1	2	1

Retirees' Sources of Income

Table 52 shows the wide variety of sources from which retirees derive their incomes. The most common sources are, of course, Social Security, pension plans, personal savings, and investments. The largest single source of income for most retirees is Social Security (43%), with pensions falling a distant second (15%), and personal savings next (9%).

Table 52

RETIREES' SOURCES OF INCOME

Q.13a (Retirees): What are your main sources of income? Any others?

Q.13b (Retirees): Which one of those sources of income provides the largest amount of your income?

		Q.13a All Sources of Retirees' Income	Q.13b Retirees' Largest Source of Income
Social Security benefits	%	63	43
Supplemental Security Income (SSI)	%	1	1
Earnings from new employment after retiring	%	5	2
Company pension plan benefits	%	37	15
Union pension plan benefits	%	8	4
Profit sharing plan benefits	%	1	*
Personal savings account at a bank/investments in stocks or bonds	%	23	9
Individual Retirement Account benefits (IRA)	%	2	*
Government pension plan benefits (not Social Security)	%	3	1
Savings from an employee thrift or savings plan	%	1	—
Proceeds from insurance	%	1	*
Real estate investment (mortgages, sale of real estate, rent from renters or boarders)	%	3	1
Inheritance	%	*	*
Money from children or other relatives	%	1	1
Spouse's current income	%	4	3
Other	%	6	3
None	%	1	3
Not sure	%	1	2
Refused	%	10	10

APPENDIX: SURVEY METHOD

APPENDIX: SURVEY METHOD

Sample Design

The following samples were used in this study:

- A systematic sample of corporations was drawn from the Dunn and Bradstreet listing of corporations with 500 or more employees in the United States. This sample generated interviews with 500 corporate benefits officers.

- A nationwide cross-section of 8,200 households was screened in order to locate:

  — 1,005 employees who currently work full-time for a company or non-governmental organization with 500 or more employees in the United States; and

  — 501 retirees who worked at least 5 years for a company or non-governmental organization with 100 or more employees in the United States.

  The initial sample was generated by random-digit-dialing, based on an unclustered sampling frame, stratified by geographic region, and by the Census Bureau's "size of place" designations.

Interviewing

All interviews were conducted by telephone from the New York offices of Louis Harris and Associates, during June, July, and August 1986. Corporate benefits officers were interviewed on weekdays from 9:00 a.m. to 5:00 p.m. When necessary, appointments were made to interview the relevant officers in a company. Employees and retirees were interviewed in their homes from 5:00 p.m. to 10:00 p.m. (local time) on weekdays, and from 10:00 a.m. to 10:00 p.m. (local time) on weekends.

All interviews with retirees and employees were conducted on the Harris firm's Computer-Assisted-Telephone-Interviewing (CATI) system. This system allows data to be entered directly into a main-frame computer, as the interview is conducted. This method provides superior quality control against errors, especially when a large number of households must be screened.

Up to three callback attempts were made to reach all selected respondents in the three separate groups.

Questionnaires

Three questionnaires were developed for the study: one for corporate benefits officers, one for employees, and one for retirees. Copies of the questionnaires can be obtained from Louis Harris and Associates.

Data Processing

The editing, coding, and data processing of all questionnaires were conducted by Louis Harris and Associates.

Codes were developed for responses to open-ended questions, with only those responses given by less than 0.2% of the respondents being coded as "other" responses.

Sampling Error

The table below indicates the sampling error associated with various sample sizes and the reported sample percentages, at the 95% confidence level.

Table A-1

REPORTED SAMPLE PERCENTAGE

Sample Size	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
2,500	1	2	2	2	2
2,000	1	2	2	2	2
1,500	2	2	3	3	3
1,000	2	2	3	3	3
900	2	3	3	3	3
800	2	3	3	3	3
700	2	3	3	4	4
600	2	3	4	4	4
500	3	4	4	4	4
400	3	4	4	5	5
300	3	5	5	6	6
200	4	6	6	7	7
100	6	8	9	10	10
50	8	11	13	14	14

Table A-2

PROFILE OF THE CORPORATE BENEFITS OFFICERS' COMPANIES

	All Corporate Benefits Officers
Base	500
	%
Total	100
Region	
East	31
Midwest	25
South	25
West	19
Type of Company	
Manufacturing	42
Wholesale or retail	25
Financial	11
Services	22
Other	11
Number of Employees	
500 - 1,000	43
1,001 - 3,000	23
3,001 - 5,000	9
5,001 - 10,000	10
10,001 or more	14
Not sure	1
Have Union Employees	
Yes	47
No	52
Not sure	1

Table A-3

DEMOGRAPHIC PROFILE OF THE EMPLOYEES

	All Employees
Base	1,005
	%
Total	100
Region	
East	29
Midwest	24
South	29
West	17
Age	
18-29 years	28
30-39 years	34
40-49 years	22
50-64 years	15
65 and over	1
Not sure/refused	1
Income	
$7,500 or less	1
$7,501 to $15,000	7
$15,001 to $25,000	21
$25,001 to $35,000	23
$35,001 to $50,000	24
$50,001 and over	18
Not sure/refused	5
Marital Status	
Single	19
Married	68
Divorced/widowed/separated	12
Sex	
Male	57
Female	43
Health Status	
Excellent	52
Good	43
Fair	5
Poor	1

Table A-4

DEMOGRAPHIC PROFILE OF THE RETIREES

	All Retirees
Base	501
	%
Total	100
Region	
East	23
Midwest	29
South	32
West	15
Age	
49 or less	1
50-64 years	27
65-69 years	33
70-74 years	20
75-79 years	10
80 and over	7
Not sure/refused	1
Income	
$7,500 or less	17
$7,501 to $15,000	11
$15,001 to $25,000	19
$25,001 to $35,000	11
$35,001 to $50,000	6
$50,001 and over	5
Not sure/refused	21
Marital Status	
Single	7
Married	60
Divorced/widowed/separated	32
Sex	
Male	50
Female	50
Health Status	
Excellent	23
Good	43
Fair	24
Poor	11
Disabled	
Yes	26
No	73